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Fourth Annual Report

National Dairy Products Corporation

NEW YORK, N. Y.

YEAR ENDED DECEMBER 31, 1926

BOARDS
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National Dairy Products Corporation

120 BROADWAY

NEW YORK

DIRECTORS

Edwin M. Bailey
Henry W. Breyer
Frederick J. Bridges
Joseph T. Castles
Waddill Catchings
Clarence J. Dauphinot
Alfred A. DuBan
D. C. Eldredge
Robert J. Flick
Joseph Gilfillan
B. S. Halsey
Ralph H. Horton
J. M. Hoyt
A. P. Hunt
Jos. L. Jones
Harold M. Lehman
James G. Lewis
Wm. F. Luick
Thos. H. McInnerney
E. J. Mather
Charles F. Nettrour
Edward E. Rieck
Wilbur S. Scott
C. Henderson Supplee
I. A. Van Bomel
L. A. Van Bomel
Frank A. Wills
Henry N. Woolman

OFFICERS

President ..... Thos. H. McInnerney
Vice-President-Treasurer ..... James G. Lewis
Vice-President ..... C. Henderson Supplee
Vice-President ..... Alfred A. DuBan
Vice-President ..... L. A. Van Bomel
Vice-President ..... Frank A. Wills
Secretary ..... Frederick J. Bridges
Comptroller ..... A. A. Stickler

TRANSFER AGENT
Bankers Trust Company
New York, N. Y.

REGISTRAR
The Chase National Bank
New York, N. Y.

Counsel ..... Sullivan & Cromwell
Auditors ..... Price, Waterhouse & Co.

Executive Offices ..... *120 Broadway, New York, N. Y.*

National Dairy Products Corporation

New York, N. Y., April 8, 1927

To the Stockholders:

The fourth annual report of National Dairy Products Corporation and subsidiaries for the year ended December 31, 1926, together with the consolidated income account and balance sheet, as certified by Messrs. Price, Waterhouse & Co., is submitted herewith.

Your Corporation during the year 1926 made some further acquisitions of assets or stock of successful companies, the most notable being Breyer Ice Cream Company of Philadelphia, Pa. and Luick Ice Cream Company of Milwaukee, Wis.

By reason of these acquisitions and the growth of the sales of the subsidiaries, the combined sales in 1926 of all subsidiaries owned in that year amounted to $134,549,919.04, as against combined sales of $105,377,151.78 in 1925 of the subsidiaries then owned.

The Corporation and all of its subsidiary companies (including those acquired during 1926) had total net earnings for the year of $9,420,451.48 after deducting Federal income taxes, and interest and preferred dividends for a full year on all securities outstanding at the close of the year and after charging $8,339,886.40 for depreciation and repairs. This is equivalent to $9.01 per share on the 1,045,039 shares of common stock outstanding at December 31, 1926; in 1925 the earnings per share, calculated in the same manner, were $6.55 per share on the 752,216 shares of common stock outstanding at December 31, 1925.

During the year just closed the management of your company has taken important steps in unifying the purchasing, accounting control, technical research and other aspects of the business of its subsidiaries with resulting economies in operation and standardization of methods. We believe that even greater progress in this direction will be made in the future.

We have every reason to anticipate a continued growth of both volume of business and of net profits during the current year.

It is with sorrow that we report the death of Mr. Loton Horton, for many years the President of Sheffield Farms Company, Inc., and Chairman of the Board of Directors of this Corporation for the past year.

The Board of Directors takes this opportunity of acknowledging the loyal and faithful services rendered by the officers and employees of the Corporation and its subsidiaries.

By order of the Board of Directors.

THOMAS H. McINNERNEY
President.

National Dairy Pro

AND SUBSIDIAR

CONSOLIDATED BALANCE SHEET

Assets

Current and Working Assets:			
Cash in banks and on hand		$ 5,333,416.02	
Marketable securities (including company's own securities) at cost, below market		693,876.63	
Notes receivable	$ 359,434.86		
Accounts receivable	5,347,002.39		
	$5,706,437.25		
Less—Reserve for doubtful notes and accounts	181,312.20	5,525,125.05	
Inventories at cost or market, whichever is lower		4,081,099.19	
Miscellaneous supplies and repair parts		1,398,588.95	
Receivable from officers and employees of subsidiary companies on stock subscriptions, etc		324,623.82	
Cash surrender value of life insurance policies		204,165.96	
			$17,560,895.62
Investments and Advances:			
Investments		$ 707,189.93	
Advances		253,990.96	
			961,180.89
Sinking Funds:			
Cash deposited with trustees and other assets payable to trustees when liquidated in cash, to retire first mortgage bonds of Hydrox Corporation and Chapell Ice Cream Company, Inc			58,201.50
Capital Assets:			
Land, buildings, machinery and equipment:			
Properties appraised:			
On the basis of appraisals at sound values together with subsequent additions at cost		$47,935,198.66	
Properties not appraised:			
On the basis of cost		15,788,512.80	
		$63,723,711.46	
Less—Reserve for depreciation		11,420,025.58	
			52,303,685.88
Deferred Charges:			
Prepaid taxes, insurance and other expenses			544,662.59
Goodwill Purchased			12,315,666.28
			$83,744,292.76

We have examined the books and accounts of the National Dairy Products Corporation and subsidiary companies for find that the above consolidated balance sheet as at December 31, 1926 and relative statements of profit and loss and surplus have relative statements of profit and loss and surplus fairly state the financial position of the National Dairy Products Corporation and

56 Pine Street,
New York,
March 15, 1927.

ducts Corporation

Y COMPANIES

DECEMBER 31, 1926

Liabilities

Current Liabilities:		
Notes payable	$ 1,689,036.20	
Accounts payable including sundry accruals	7,006,075.35	
Dividends payable and accrued	168,958.57	
Provision for Federal income tax	1,652,436.11	
		$10,516,506.23
Reserves for Contingencies		732,601.92
Funded and Mortgage Debt:		
National Dairy Products Corporation:		
Fifteen-year 6% collateral trust notes due November 1, 1940	$14,400,000.00	
Subsidiary companies:		
First mortgage 6% bonds	1,008,200.00	
First mortgage 6½% bonds	2,282,500.00	
Debenture 6% notes	14,000.00	
Real estate mortgages	1,688,625.00	
		19,393,325.00
Minority Stockholders' Interest in Capital and Surplus of Subsidiary Companies		138,103.85
Preferred Stock of Subsidiary Companies,		
Per statement attached		11,245,815.00
Capital and Initial Surplus:		
Preferred stock Class A 7% cumulative:		
Authorized and issued—69,244 shares of $100 each	$ 6,924,400.00	
Preferred stock Class B 7% cumulative:		
Authorized and issued—50,000 shares of $100 each	5,000,000.00	
Common stock and initial surplus:		
Authorized—2,000,000 shares of no par value		
Issued—1,045,039 shares	20,748,710.28	
		32,673,110.28
Earned Surplus, per statement attached		9,044,830.48
		$83,744,292.76

he year ending December 31, 1926 and the books and accounts of the companies whose stocks were acquired during the year, and been correctly prepared therefrom, and we certify that, in our opinion, the consolidated balance sheet as at December 31, 1926 and ubsidiary companies at December 31, 1926, and the results of the operations for the year ending on that date.

PRICE, WATERHOUSE & CO.

National Dairy Products Corporation

AND SUBSIDIARY COMPANIES

COMBINED STATEMENT OF PROFIT AND LOSS

For the Year Ending December 31, 1926

(Including the results of the operations of companies acquired during the year prior to date of acquisition)

Net sales to public (after deducting intercompany sales of $4,779,870.88)			$134,549,919.04
Deduct:			
Cost of sales and delivery expenses		$105,220,464.90	
Repairs and maintenance	$4,340,302.82		
Depreciation	3,999,583.58	8,339,886.40	
			113,560,351.30
Gross profit			$ 20,989,567.74
Other income			1,197,747.53
Gross profit and other income			$ 22,187,315.27
Deduct:			
Administrative, selling and general expenses and interest on funded and floating debt of subsidiary companies.		$8,652,973.11	
Federal income taxes		1,614,333.23	
			10,267,306.34
Combined profits before all dividends and interest on National Dairy Products Corporation 6% notes			$ 11,920,008.93

NOTE:

Combined profits of National Dairy Products Corporation and subsidiary companies before deducting interest on National Dairy Products Corporation 6% notes		$11,920,008.93
Deduct:		
Dividend requirements on preferred stocks of subsidiary companies for full year		800,459.95
		$11,119,548.98
Interest on National Dairy Products Corporation 6% notes		864,389.50
		$10,255,159.48
Dividend requirements on National Dairy Products Corporation preferred stocks for full year		834,708.00
Balance, after providing for charges for full year on preferred stocks outstanding at December 31, 1926, equivalent to more than $9.01 per share on 1,045,039 shares of common stock of National Dairy Products Corporation		$ 9,420,451.48

National Dairy Products Corporation

AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND SURPLUS

For the Year Ending December 31, 1926

Combined profits for the year ending December 31, 1926, before all dividends and interest on National Dairy Products Corporation 6% notes, as per statement of profit and loss	$11,920,008.93	
Less—Profits prior to date of acquisition of companies acquired during the year	255,064.61	
		$11,664,944.32
Deduct:		
Dividends paid and accrued on stocks of subsidiary companies held by the public	$ 861,136.25	
Interest on National Dairy Products Corporation 6% notes	864,389.50	
		1,725,525.75
Balance applicable to preferred and common stocks of National Dairy Products Corporation		$ 9,939,418.57
Deduct—Dividends paid on preferred and common stocks of National Dairy Products Corporation from time to time outstanding:		
Preferred	$ 747,208.00	
Common	2,885,499.75	
		3,632,707.75
Surplus for year ending December 31, 1926		$ 6,306,710.82
Add—Earned surplus at December 31, 1925		2,738,119.66
Earned surplus at December 31, 1926, as per balance sheet		$ 9,044,830.48

National Dairy Products Corporation

PREFERRED STOCKS OF SUBSIDIARY COMPANIES

December 31, 1926

Rieck-McJunkin Dairy Company 8% cumulative: Authorized—350,000 shares of $10 par value Issued and outstanding—305,364 shares	$3,053,640
The W. E. Hoffman Company 7% cumulative: Authorized and issued—3,250 shares of $100 par value	325,000
Moore Brothers Company 7% cumulative: Authorized—2,500 shares of $100 par value Issued—1,550 shares	155,000
Erie County Milk Association 6% cumulative: Authorized—4,580 shares of $50 par value Issued and outstanding—4,567 shares	228,350
Hydrox Corporation 7% cumulative: Authorized—20,000 shares of $100 par value Issued—12,224 shares	1,222,400
Hydrox Company of Indiana 7% cumulative: Authorized—2,000 shares of $100 par value Issued—352 shares	35,200
The J. T. Castles Ice Cream Company $7.00 cumulative: Authorized and issued—12,000 shares of no par value	1,200,000
Castles Ice Cream Company of Perth Amboy $7.00 cumulative: Authorized and issued—3,000 shares of no par value	300,000
Chapell Ice Cream Company, Inc. 7% cumulative: Authorized—7,500 shares of $100 par value Issued and outstanding—7,200 shares	720,000
Clover Farm Dairy Corporation 7% cumulative: Authorized—3,000 shares of $100 par value Issued—2,357¼ shares	235,725
Newark Milk Company $7.00 cumulative: Authorized and issued—2,500 shares of no par value	250,000
Sheffield Farms Company, Inc. 6% cumulative: Authorized and issued—15,000 shares of $100 par value	1,500,000
Nashville Pure Milk Company 7% cumulative: Authorized and issued—3,500 shares of $100 par value	350,000
Harding Cream Corporation 7% cumulative: Authorized—6,000 shares of $100 par value Issued—4,997 shares	499,700
Harding Cream Company 7% cumulative: Authorized—5,000 shares of $100 par value Issued—2,708 shares	270,800
Union Ice Cream Company 7% cumulative: Authorized and issued—3,000 shares of $100 par value	300,000
Luick Ice Cream Company 7% cumulative: Authorized and issued—6,000 shares of $100 par value	600,000
	$11,245,815

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